

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6016

BILL NUMBER: HB 1086

NOTE PREPARED: Oct 30, 2007

BILL AMENDED:

SUBJECT: Penalties for Failure to Pay State Taxes.

FIRST AUTHOR: Rep. Burton

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that the penalty for failure to pay tax by the due date is reduced to 5% of the amount of tax due if the person pays the full amount of the tax owed not more than 30 days after the due date.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The bill changes the penalty to be charged by the DOR for nonpayment of listed taxes. The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new penalty. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary:* The bill reduces the penalty on listed taxes from 10% to 5% as long as the remittances are sent in within 30 days after the due date. The decrease in revenue as a result of the penalty reduction is indeterminable and depends on the potential behavioral changes associated with reducing the penalty for failure to pay taxes. The bill's provisions would take effect in tax year 2008. As a result of these circumstances, any fiscal impact would not likely arise before FY 2009.

Background: Under current statute, the penalty for failure to pay state taxes is 10% of the amount of tax owed if the payment is made any time after the due date. Data from the DOR indicates that for taxable year 2007 approximately \$2 M in penalty revenue was collected within 30 days after the due date. The provisions of this bill would reduce that amount to approximately \$1M (a reduction in the penalty from 10% to 5%). The bill decreases the penalty beginning in tax year 2008, thus, the fiscal impact will commence in FY 2009. Revenue from penalties being placed into the General Fund could potentially decrease by an indeterminable

amount.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue: Sandy Mowery, 317-233-1853; Marilyn Cooksey, 317-232-3425; Sarah Spencer, 313-233-2717.

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